

<p align="center"><b>2003 - 2004</b> <b>ANNUAL REPORT</b></p>
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## SPECIAL REVENUE FUNDS

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### Anti-Tobacco Master Settlement Agreement Revenue Fund

The attorneys general of most states and the major United States tobacco companies agreed to settle more than 40 pending lawsuits brought by states against the tobacco industry. This fund accounts for monies received through the Master Settlement Agreement (MSA) signed by parties to the lawsuit on November 23, 1998.

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***Anti-Tobacco Master  
Settlement Agreement  
Revenue Fund***

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Percent Variance</b>
<i>Revenue</i>	\$ 11,465	\$ 10,249	\$ (1,216)	(10.6%)
<i>Expenditure</i>	25,615	25,230	385	1.5%
<i>Fund Balance (est. *)</i>	1,318 *	2,144	826	62.7%

The revenue variance is primarily the result of lower than budgeted receipt of master tobacco settlement payments (\$0.7 million) and lower than estimated interest earnings (\$509,000). The amount of each payment is difficult to estimate and subject to change depending on a number of factors including inflation, sales by the tobacco industry, and changes in market shares of the settling tobacco companies. Thus, variances between the projected and actual amounts are likely to occur and unable to be anticipated.

The expenditure variance reflects unexpended project funds. This is primarily resulted from lower than expected expenditures for the Homework Center Expansion (\$142,000), San José Schools/City Collaborative After School Enrichment Program (\$38,000), and Vida Nueva Program Expansion (\$151,000). There were no expenditures for the Vida Nueva project as a result of the project being cancelled due to the project sponsor's inability to find matching funds to complete the project.

The 2003-2004 ending fund balance is higher than estimated due primarily to expenditure savings as discussed above. These funds will be made available for use during the 2005-2006 funding process.